TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 2761 - HB 2934

February 23, 2012

SUMMARY OF BILL: Requires each department, institution, or agency of state government to develop and implement an action plan to achieve a reduction in annual energy usage of at least 10 percent by January 1, 2014, and at least an additional 10 percent by January 1, 2016. Requires 2011 to be the baseline year for calculating reductions. Requires each department, institution, and agency to report annually to the Senate Energy and Environment Committee and the House of Representatives Conservation and Environment Committee.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds $10,000,000/One-Time
Exceeds $1,000,000/Recurring

Other Fiscal Impact – Current energy reduction goals are consistent with the goals outlined in this bill; therefore, any long-term decrease in state expenditures for energy will be not significant as these savings will be realized in the absence of this bill. The precise decrease in state expenditures in the absence of this bill cannot be reasonably determined. There may be a shift in the timing of energy savings to an earlier time period; however, the net impact of earlier savings and savings that will be realized in the absence of this bill cannot be quantified.

Assumptions:

- The Department of General Services (DGS) is responsible for 376 leased buildings and 135 state-owned buildings statewide. Various agencies make rent payments, which include energy costs, to DGS. Individual agencies do not have the expertise to conduct a study of all leased properties; therefore, DGS will be responsible for conducting studies and developing action plans at DGS managed properties.
- According to the State of Tennessee Real Estate Asset Management (STREAM) Division within DGS, infrastructure for energy data collection does not currently exist for developing and implementing an action plan. Due to the unique age, design, function, exposure, location, and current energy efficiencies of each state building, structure, and property, an individual study will be required for each property in order to develop an action plan. Energy consumption by agency will have to be determined, including agencies which share multiple properties with other agencies. Additional

infrastructure, monitoring, and data collection will be required in order to create a separate action plan for each agency as required by this bill.

- According to Finance and Administration, there will be a significant but unquantifiable increase in state expenditures in order to assess and format a state energy savings strategy. Applying the same standards across all state buildings will make the assessment more costly for certain agencies due to the uniqueness of their properties.
- According to DGS, this work will be contracted to an outside vendor. This will result in an increase in one-time state expenditures.
- Properties that are not managed by DGS would be required to contract with an outside vendor to conduct a study and develop an action plan. This will result in an increase in one-time state expenditures to contract with outside vendors.
- Each agency will be required to coordinate with the outside vendors in order to develop a unique action plan. This will result in an increase in one-time state expenditures for all agencies.
- The precise cost of infrastructure, data collection, data analysis, and development of agency specific action plans cannot be determined but is reasonably estimated to increase one-time state expenditures by an amount exceeding $10,000,000.
- Maintenance and monitoring of energy consumption in order to ensure compliance with this bill will result in an increase in recurring state expenditures exceeding $1,000,000.
- Based on information provided by DGS, energy costs statewide are estimated to exceed $125,000,000 in 2011.
- A minimum 10 percent reduction by January 1, 2014, will result in a decrease in state expenditures exceeding $12,500,000. The decrease in expenditures for FY13-14 will be $6,250,000 ($12,500,000 x 50%) due to the January 1 deadline. The decrease in state expenditures for FY14-15 will be $12,500,000.
- An additional decrease of at least 10 percent (compared to the 2011 baseline year expenditures) will result in a decrease in recurring expenditures of $23,000,000 ($12,500,000 + $12,500,000) each calendar year beginning January 1, 2016, and each fiscal year beginning FY16-17. Due to the January 1 deadline, the decrease in expenditures for FY15-16 will exceed $17,750,000 [($12,500,000 x 50%) + ($23,000,000 x 50%)].
- A significant number of agencies will not reach the 10 percent reduction goal. The number of agencies reducing energy consumption greater than 10 percent will not be significant.
- STREAM is in the process of building a system for comprehensive energy management of state-owned buildings. The energy reduction numbers in this bill are consistent with nationwide reduction goals for existing buildings.
- In the absence of this bill, energy savings compared to the 2011 baseline will be realized using the current energy management process without an increase to state expenditures.
- The amount of energy savings, the timing of energy savings, and the number of agencies unable to achieve 10 percent reduction in energy consumption cannot be reasonably determined.
- Given these reduction rates are consistent with nationwide goals, the long-term impact on state energy expenditures will be not significant.

- The timing of energy savings may be affected if additional agencies execute an action plan to reduce consumption in order to comply with the requirements of this bill.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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